

Board Meeting Minutes
April 3, 2018

Present via teleconference were:

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| Doug La Follette, Commissioner | Secretary of State |
| Matt Adamczyk, Commissioner | State Treasurer |
| Brad Schimel, Board Chair | Attorney General |
| Jonathan Barry, Executive Secretary | Board of Commissioners of Public Lands |
| Tom German, Deputy Secretary | Board of Commissioners of Public Lands |
| Vicki Halverson, Office Manager | Board of Commissioners of Public Lands |
| Richard Sneider, Chief Investment Officer | Board of Commissioners of Public Lands |
| Dave Meany, Administrator, Div. of Legal Serv. | Department of Justice |
| Mark Bromley, Assistant Attorney General | Department of Justice |
| Mike Morris, Assistant Attorney General | Department of Justice |
| Ray Cross, President | University of Wisconsin System |

ITEM 1. CALL TO ORDER

Board Chair Schimel called the meeting to order at 2:02 p.m.

ITEM 2. APPROVE MINUTES – MARCH 20, 2018

MOTION: Board Chair Schimel moved to approve the minutes; Commissioner La Follette seconded the motion.

DISCUSSION: None.

VOTE: The motion passed 3-0.

ITEM 3. APPROVE LOANS

Executive Secretary Barry reported that the loans had been reviewed for proper public purpose.

Municipality	Municipal Type	Loan Type	Loan Amount
1. Manawa Waupaca County Application #: 02018122 Purpose: Finance TID #3 development and ancillary costs	City Rate: 4.25% Term: 20 years	General Obligation	\$347,000.00
2. Manawa Waupaca County Application #: 02018123 Purpose: Finance water tower painting	City Rate: 4.25% Term: 15 years	General Obligation	\$311,200.00
3. Neenah Winnebago County Application #: 02018125 Purpose: Finance sanitary sewer assessment	Town Rate: 3.75% Term: 5 years	General Obligation	\$144,240.00

4.	Raymond #14 Racine County Application #: 02018126 Purpose: Purchase land	School Rate: 4.00% Term: 10 years	General Obligation	\$350,000.00
5.	Raymond #14 Racine County Application #: 02018127 Purpose: Refinance BCPL loan #02005167	School Rate: 4.00% Term: 7 years	General Obligation	\$276,547.98
6.	Sparta Monroe County Application #: 02018121 Purpose: Purchase tractor and equipment	Town Rate: 3.25% Term: 2 years	General Obligation	\$101,498.00
7.	Stratford Marathon County Application #: 02018120 Purpose: Finance TID #4 infrastructure improvements	Village Rate: 4.25% Term: 18 years	General Obligation	\$1,403,500.00
8.	Two Rivers Manitowoc County Application #: 02018124 Purpose: Refinance general obligation debt	City Rate: 3.50% Term: 2 years	General Obligation	\$675,000.00
TOTAL				\$3,608,985.98

MOTION: Board Chair Schimel moved to approve the loans; Commissioner La Follette seconded the motion.

DISCUSSION: None.

VOTE: The motion passed 2-1. Commissioner La Follette and Board Chair Schimel voted aye; Commissioner Adamczyk voted no.

ITEM 4. DISCUSSION AND POTENTIAL VOTE TO SELL NORMAL SCHOOL FUND AND UNIVERSITY FUND TRUST LANDS TO COMMON SCHOOL FUND AFTER AB804 IS SIGNED INTO LAW – SUBMITTED BY COMMISSIONER ADAMCZYK

Board Chair Schimel asked Commissioner Adamczyk to state his motion.

MOTION: Commissioner Adamczyk moved that if Governor Walker signs AB804 into law, the BCPL is then authorized to sell all Normal School Fund and University Fund land holdings (approximately 69,000 acres for Normal School Fund and 50 acres for the University Fund) to the Common School Fund for appraised value; Board Chair Schimel seconded the motion for purposes of discussion.

DISCUSSION: Commissioner La Follette asked about the status of AB804. Commissioner Adamczyk replied that it passed both houses of the Legislature and was awaiting Governor Walker's approval. He added that if the Common School Fund were given statutory authority to purchase the Trust Lands belonging to the Normal School Fund, those monies could then be used to fund the merit scholarship program at the University of Wisconsin.

Commissioner Adamczyk invited Ray Cross, University of Wisconsin System President, to speak. Mr. Cross thanked the Board for the opportunity. While the State and University have done a good job of providing needs-based financial aid for students, the University System is competing with institutions in the Big Ten and elsewhere that have extensive merit scholarship awards. For example, Oklahoma offers a “free ride,” including room and board, to students who are National Merit Scholars, whether the student is from Oklahoma or elsewhere. He added that Wisconsin graduates approximately 200 to 300 National Merit Scholars and it would be beneficial if more of those students remained in Wisconsin. While perhaps not a free ride, the legislation would provide funding to help offset tuition costs. He gave examples of other institutions offering merit scholarships. This legislation would help to retain some of Wisconsin’s merit scholars.

Commissioner La Follette asked if funding is currently available for all of Wisconsin’s Merit Scholars. Mr. Cross explained that funds are available through private resources, but funding is minimal in comparison to states that supplement the scholarship with state funds.

Commissioner Adamczyk asked what amount of state financing is available to Merit Scholars. Mr. Cross replied that the state only offers needs-based financial aid; private funds are available for merit scholarships but no state funds.

Board Chair Schimel said attorneys at the Department of Justice have performed preliminary examinations of the law and the Board’s trustee responsibilities. The Board has equal fiduciary duties to both Trust Funds, which means actions cannot be taken that benefit one trust fund at the expense of the other. He said that while there is value in creating merit scholarships, the Board has trustee responsibilities and they cannot create policies that conflict with their fiduciary duties.

MOTION: Board Chair Schimel moved to table the agenda item until further research can be completed, and the Board knows more about their legal responsibilities as trustees; Commissioner La Follette seconded the motion.

DISCUSSION: Mr. Cross asked if his understanding of the issue was correct in that the Board cannot treat the Funds differently or unequally. Board Chair Schimel replied that the Board has an equal responsibility to protect the assets of all the Trust Funds. Mr. Cross inquired if the Trust Funds had been treated unequally in the past based on the amount of land that was granted to each Trust Fund and the lands remaining in each Fund. Board Chair Schimel replied that the nature of the land granted to the state by the federal government resulted in the Normal School Fund (NSF) receiving a large portion of swamp lands, which were less valuable and remain in the fund today. The Common School Fund (CSF) received land that was of better quality and the majority of those lands have been sold.

Commissioner Adamczyk agreed that the Board has a duty to treat the funds equally but asked whether selling NSF lands to the CSF would not be a “good buy” for the CSF. He referred to a “hedge on inflation” and that the Board must think not only of today’s beneficiaries but future beneficiaries. Board Chair Schimel replied that the hedge on the fluctuations in the market refers to the NSF lands that have timber value. That is not the majority of the land that remains in the NSF.

VOTE: Board Chair Schimel and Commissioner La Follette voted aye to table the matter; Commissioner Adamczyk voted no.

Board Chair Schimel allowed Commissioner Adamczyk to ask a final question after the vote was taken because the Commissioners are not allowed to discuss matters outside a publicly noticed meeting.

Commissioner Adamczyk recalled a meeting with Executive Secretary Barry had indicated that the CSF would benefit from purchasing the productive NSF lands. He asked if that was still his belief. Executive Secretary Barry replied that it would be helpful to have the legal analysis by the attorneys at the Department of Justice before discussing the issue further. While there may be opportunities to exchange land between the funds, selling land between the funds could cause one or the other fund to be disadvantaged.

ITEM 5. FUTURE AGENDA ITEMS

None.

ITEM 6. EXECUTIVE SECRETARY’S REPORT

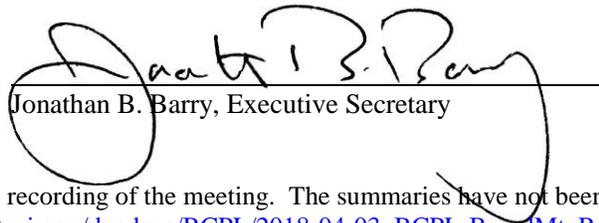
He referred the Board to the materials provided in the board packet.

Board Chair Schimel added that this year’s Common School Fund check presentation at the Wisconsin Educational Media & Technology Association’s conference was a great success. The public school librarians were very grateful for the \$35.7 million. Commissioner La Follette was also presented with a special award for his 40 years of service on the Board and commitment to the Common School Fund. Board Chair Schimel said the staff has done a tremendous job investing the Trust Funds despite some challenges in the market.

Executive Secretary Barry concluded by informing the Board that staff are projecting earnings for 2019 will likely exceed the 2018 distribution. He commended Deputy Secretary German and Richard Sneider, the agency’s Chief Investment Officer.

ITEM 7. ADJOURN

The meeting adjourned at approximately 2:29 p.m.



Jonathan B. Barry, Executive Secretary

These minutes have been prepared from a recording of the meeting. The summaries have not been transcribed verbatim. Link to audio recording: ftp://doafpt1380.wi.gov/doadocs/BCPL/2018-04-03_BCPL-BoardMtgRecording.mp3.